

**MEMBERS OF THE BILL HASLAM FOR GOVERNOR CAMPAIGN**  
**FOR THE TENNESSEE REGISTRY OF ELECTION FINANCE**

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON APPLYING AGREED-UPON-PROCEDURES**

**FOR THE PERIOD**  
**JULY 1, 2011 TO JANUARY 15, 2015**



## **Independent Accountants' Report On Applying Agreed-Upon Procedures**

Members of the Tennessee Registry of Election Finance  
And the Bill Haslam for Governor Campaign  
Nashville, Tennessee

Ladies and Gentlemen:

We have performed the agreed upon procedures enumerated below, which were agreed to by Bill Haslam for Governor, for the campaign finance disclosures of Bill Haslam's 2014 election campaign for Governor. We understand that the "Comprehensive Governmental Ethics Reform Act of 2006" established the audits of campaign disclosure reports for certain gubernatorial candidates. This legislation as outlined in *Tennessee Code Annotated* (T.C.A) Section (§) 2-10-212(d) requires the State of Tennessee Registry of Election Finance ("Registry") to adopt auditing guidelines and standards. The Registry has determined that campaign finance audits are to be performed as agreed-upon procedures engagements. The objectives of these agreed-upon procedures, as advised by the Registry for the election cycle, are to determine:

- The candidate's compliance with campaign finance disclosure laws and regulations.
- The candidate's compliance with campaign contribution limit laws and regulations.
- The accuracy, completeness, and timeliness of campaign finance disclosure statements including itemized statements of contributions, in-kind contributions, expenditures, obligations, and loans.

We performed certain agreed-upon procedures to test compliance with the following financial disclosure information:

### Accounting Records and Reporting:

- Campaign records supporting applicable campaign finance disclosures were tested for completeness and compliance with campaign finance disclosure laws and campaign contribution limit laws.
- Bookkeeping and other disclosure data were reported and maintained as prescribed by campaign finance laws and the Registry's rules.

### Contributions and Receipts:

- Campaign contributions from individuals and Political Action Committees ("PAC") were within campaign limits.

- Contributions were not received from PACs (excluding political party PACs) during blackout periods.
- Contributions were from non-prohibited sources.
- Receipts received were reported to the Registry, reported in the proper period, reported in compliance with T.C.A. §2-10-105 and §2-10-107, and reported in compliance with the Registry's rules.
- Contributions were supported by bank statements and deposit slips.
- In-kind contributions were supported by a donation letter or other appropriate supporting documentation.
- Interest and other investment earnings received were reported, reported in the proper period, and supported by bank or investment statements.
- Loans received were reported to the Registry, reported in the proper period, reported in compliance with T.C.A. §2-10-105 and §2-10-107, and reported in compliance with the Registry's rules.
- Loans received from lending institutions were supported by loan agreements.

Disbursements and Obligations:

- Disbursements and obligations were supported by vendor receipts, canceled checks, and bank statements.
- Disbursements and obligations were made for non-prohibited activities.
- Disbursements and obligations were reported to the Registry, reported in the proper period, reported in compliance with T.C.A. §2-10-107 and §2-10-114, and reported in compliance with the Registry rules.

We have performed the agreed-upon procedures, enumerated below, to assist in determining the Bill Haslam for Governor Campaign's (the "Campaign") compliance with campaign finance disclosure laws and regulations and compliance with campaign contribution limit laws and regulations during the period July 1, 2011 through January 15, 2015. These procedures, which were set forth by the State of Tennessee Registry of Election Finance and agreed to by the Bill Haslam for Governor Campaign, will help determine the accuracy, completeness, and timeliness of campaign finance disclosure statements including itemized statements of contributions, in-kind contributions, expenditures, obligations, and loans, for the election cycle.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures are as follows:

1. We discussed with Jay Moeck, Audit Director, Tennessee Registry of Election Finance, policies and procedures for receiving and recording contributions, documenting expenditures, recording obligations and preparing the campaign disclosure reports.

2. We developed specific procedures tailored to the Bill Haslam for Governor Campaign using guidelines as set forth by the Registry and our discussions with Jay Moeck, Audit Director.
3. We obtained the Campaign's monthly bank statements covering the period from July 1, 2011 through January 15, 2015. Of the approximately 42 months covered in the election cycle, 9 months were randomly selected for testing consistency between bank statements and campaign records. For the sample of monthly statements, we agreed and reconciled bank activity (deposits/withdrawals) to the general ledger activity as recorded in the Campaign's financial accounting system ("QuickBooks").
4. For the period July 1, 2011 through January 15, 2015, we agreed and reconciled total contributions, disbursements, and interest income amounts per QuickBooks to each financial disclosure report submitted by the Campaign.
5. For the period July 1, 2011 through January 15, 2015, we randomly selected a sample of 45 monetary contributions from the Campaign's financial disclosure reports and performed the following procedures:
  - a. For a sample of monetary and in-kind contributions, verified that no individual made contributions, in the aggregate, in excess of three thousand eight hundred dollars (\$3,800) per election.
  - b. Verified each PAC included in a sample of monetary and in-kind contributions did not contribute, in the aggregate, more than \$11,200 per election.
  - c. Verified total PAC contributions (excluding political party PACs) did not provide more than fifty percent (50%) of the candidate's total contributions for the election cycle. [T.C.A. §2-10-302(c)]
  - d. Verified that the PAC contributions (excluding political party PACs) included in the sample were received during a permitted time period and not during a black out period as set forth by the Registry and T.C.A. §2-10-310.
  - e. Verified there were no cash contributions that exceeded fifty dollars (\$50.00) among the sample of campaign contributions tested. [T.C.A, §2-10-311]
  - f. Traced all contributions in our sample to the Campaign accounting records to determine the disclosure was reported in the appropriate period and in the appropriate amount.
  - g. Examined all disclosures relating to our sample contributions to determine compliance with T.C.A, §2-10-105 and Section §2-10-107. Proper disclosure included such items as name, address, occupation, and employer, when required.
  - h. Traced each contribution selected for testing to the applicable deposit slip and then traced each deposit slip to the applicable bank statements.
6. We haphazardly selected 4 in-kind contributions and performed the following procedures:

- a. Reviewed documentation supporting the selected sample of in-kind contributions to determine that each in-kind contribution was reported in the appropriate amount and in the appropriate period.
  - b. Verified that each selected in-kind contribution disclosure was in compliance with T.C.A. §2-10-107 and that the information included in the disclosure agreed with supporting documentation.
7. We randomly selected a sample of 45 distributions and performed the following procedures:
  - a. Verified that each campaign disbursement included in the sample was disclosed in the proper reporting period.
  - b. Examined disclosures relating to the sample of distributions to test compliance with T.C.A. §2-10-107 and §2-10-114. This includes verifying disclosure of full name and address for expenditures and whether allowable/unallowable.
  - c. Traced each selected disbursement to the canceled check and to the applicable bank statement.
  - d. Traced each selected disbursement to supporting documentation (e.g., receipts, invoices, etc.).
8. Obtained listing of all lobbyists registered with the Tennessee Bureau of Ethics and Campaign Finance in 2014 to test compliance with T.C.A. §3-6-304. The lobbyist list was compared to the contributors included in the financial disclosure reports to determine if any contributor was a registered lobbyist.
9. We used the above procedures to determine that the accounting records used by the Campaign allowed for accurate and complete reporting to support the disclosures made.

**Our finding from applying the above procedures is as follows:**

1. The campaign incurred but did not report an obligation of \$98,000 in the 4th Quarter 2014 Campaign Financial Disclosure Statement. Tennessee Campaign Financial Disclosure Rule 0530-1-1-.10(1) requires that all goods and services received on credit which are not paid for during the reporting period must be disclosed as an obligation by the candidate during the reporting period the obligation is incurred. Payment on this obligation was made in February 2015 and was properly disclosed as an expenditure on the 2015 Annual Mid-Year Supplemental Disclosure Statement.

**Candidate's Response:**

- *The 2014 4<sup>th</sup> Quarter Supplemental Report has been amended to include the \$98,000 obligation noted in the above finding.*

No other findings of noncompliance came to our attention as a result of performing the procedures described in this report.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Haslam Gubernatorial Campaign and the Tennessee Registry of Election Finance and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Knapf CPAs PLLC". The signature is written in a cursive, flowing style.

Nashville, Tennessee  
August 28, 2015

# STATE OF TENNESSEE



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Tom Morton, Bristol  
October 14, 2015

EXECUTIVE DIRECTOR  
Drew Rawlins

Dear Registry Members:

We reviewed the independent accountants' report on applying agreed-upon procedures for Gov. Bill Haslam's 2014 campaign for Governor for the period of July 1, 2011 through January 15, 2015. We find the report to be complete and acceptable according to T.C.A. §2-10-212.

The report indicated there was a finding regarding obligations. The report states "The campaign incurred but did not report an obligation of \$98,000 in the 4<sup>th</sup> Quarter 2014 Campaign Finance Disclosure Statement." The report indicates the candidate subsequently paid the obligation and reported the expense. The report also indicates that after the finding was discussed with the candidate, the candidate amended his reports to properly report the transactions.

Based on the review of the independent accountants' report, the candidate's response in the report, and review of the candidate amended reports, we recommend the Registry approve the audit performed as being complete and acceptable according to T.C.A. 2-10-212(h). Along with the independent accountants' report, the Registry auditors are providing financial summary data for Gov. Haslam's 2014 election campaign.

Sincerely,

Jay Moeck, CPA, CFE  
Audit Director

## CAMPAIGN OVERVIEW

### CAMPAIGN ORGANIZATION

Governor Bill Haslam was a candidate in the November 4, 2014 general election for Governor. Gov. Haslam filed an Appointment of Political Treasurer Statement with the Registry on December 16, 2011 appointing Herbert H. Slatery III as political treasurer. Subsequently, he filed an amended appointment on December 7, 2012 appointing Susan F. Campbell.

The candidate's first financial disclosure for the 2014 campaign was the 2011 Early Year-End Supplemental report filed on January 31, 2012. The candidate's latest disclosure report is the 2014 Fourth Quarter report amended on January 28, 2015. The 2014 Fourth Quarter report disclosed \$1,219,451.43 in cash on hand, no outstanding obligations, and \$3,490,000.00 in outstanding loans. The candidate has not completed his 2014 election campaign reporting requirements. The candidate's next report will be the 2015 Annual Mid-Year Supplemental report due on July 15, 2015.

### OVERVIEW OF FINANCIAL ACTIVITIES

The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2011 Early Year-End Supplemental, 2012 Early Mid-Year Supplemental, 2012 Early Year-End Supplemental, 2013 Early Mid-Year Supplemental, 2013 Early Year-End Supplemental, 2014 First Quarter, 2014 Second Quarter, 2014 Pre-Primary, 2014 Third Quarter, 2014 Pre-General, and 2014 Fourth Quarter reports after amendments.

#### Summary of Financial Activity

Cash on hand at July 1, 2011		\$166,603.53	<sup>1</sup>
Receipts			
Itemized	\$58,138.00		
Un-itemized	6,190,314.12		
Interest	23,592.76		
Loans received	0.00		
Total receipts		<u>\$6,272,044.88</u>	
Disbursements			
Itemized	11,893.31		
Un-itemized	5,207,303.67		
Loans principal payments	0.00		
Obligation payments	0.00		
Total disbursements		<u>\$5,219,196.98</u>	
Cash on hand at January 15, 2015		<u>\$1,219,451.43</u>	
Loans outstanding at January 15, 2015		\$3,490,000.00	<sup>2</sup>
Obligations at January 15, 2015		\$0.00	
Total in-kind contributions received		\$50,755.61	

<sup>1</sup> The balance on hand at July 1, 2011 is funds transferred from the candidate's prior campaign.

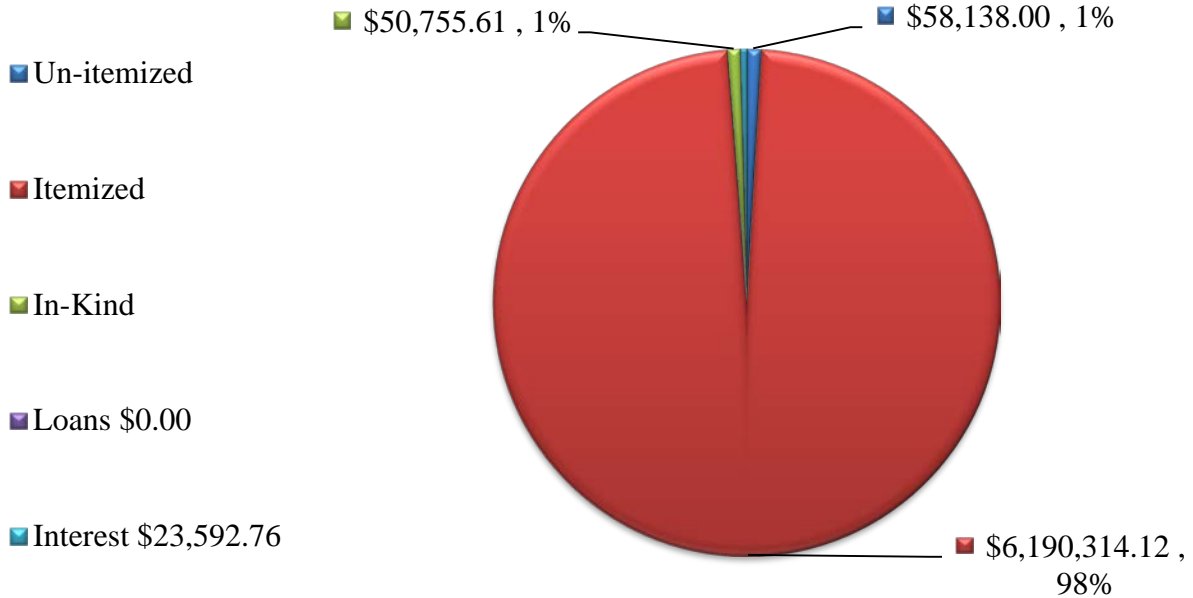
<sup>2</sup> The outstanding loan balance is a transfer from the candidate's prior campaign.



## CHARTS

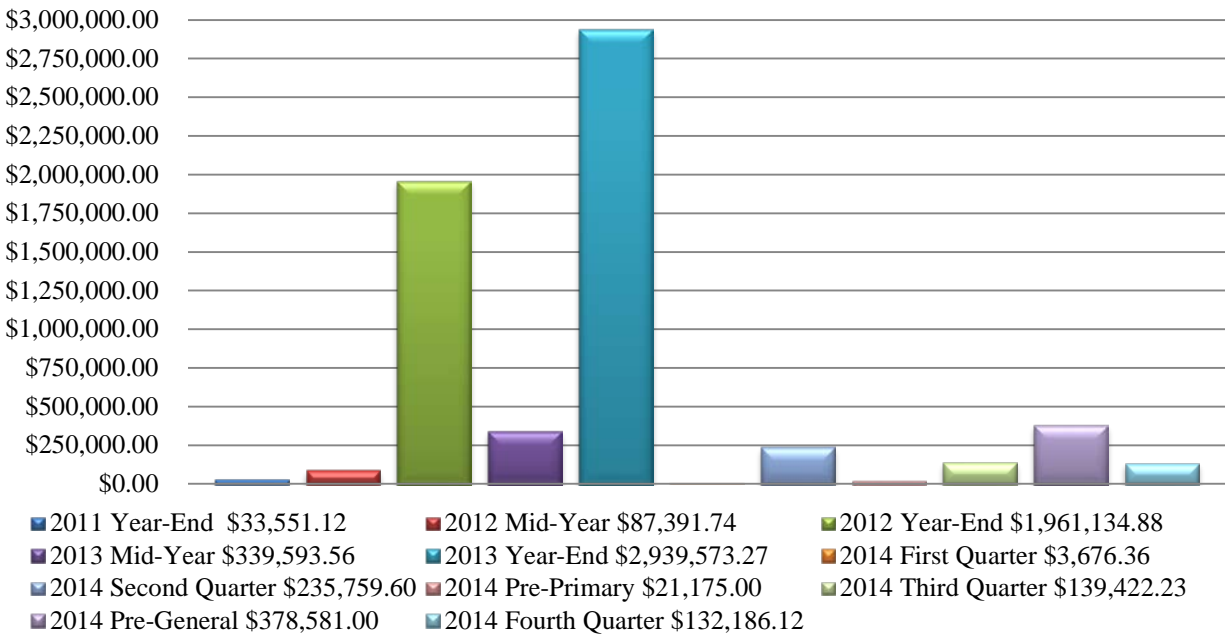
### 2014 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2014 election campaign from 2011 Early Year-End Supplemental to the 2014 Fourth Quarter report.



### 2014 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

The following chart shows the contributions that the candidate reported for the 2014 election campaign from 2011 Early Year-End Supplemental to the 2014 Fourth Quarter report by reporting period.



**2014 ELECTION EXPENSES BY REPORTING PERIOD**

The following chart shows the expenses that the candidate reported for the 2014 election campaign from 2011 Early Year-End Supplemental to the 2014 Fourth Quarter report by reporting period.

